

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Contract 80 (MC2014-23)
Negotiated Service Agreement

Docket No. CP2014-38

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF AMENDMENT TO
PRIORITY MAIL CONTRACT 80
(March 31, 2016)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Order No. 3182.¹ In that Order, the Commission reopens the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice to amend an existing Priority Mail Contract 80 negotiated service agreement.²

II. BACKGROUND

This is the third amendment to Priority Mail Contract 80. The Commission first approved the original Priority Mail Contract 80 in Order No. 2056, dated April 16, 2014. On August 26, 2014, the Commission approved the first amendment to Priority Mail Contract 80 (Order No. 2171). On June 3, 2015, the Commission approved the second amendment to Priority Mail Contract 80 (Order No. 2526).

¹ Order No. 3182, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, March 29, 2016.

² Notice of United States Postal Service of Amendment to Priority Mail Contract 80, March 24, 2016 (Notice).

The Postal Service intends for the amendment to become effective two business days after the Commission completes its review. Notice at 1. The Postal Service requests to amend section I.G of the original contract, which pertains to Price Adjustments. *Id.* Attachment A at 1. The Postal Service asserts that the Amendment will not materially affect the cost coverage of the contract and does not update the financial documentation or financial certification filed with original contract. Notice at 1.

III. COMMENTS

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

The Public Representative has reviewed Priority Mail Contract 80, including all previous amendments, along with the financial data filed under seal with the original contract and in the FY 2015 Annual Compliance Report.³ The original contract adjusted prices annually based on the average price increase of Priority Mail Commercial Plus.⁴ The amended contract sets a maximum price adjustment and ties the annual contract price adjustment to Commercial Base prices.⁵ Notice, Attachment A at 1.

The Postal Service did not provide an updated financial model that reflect the contract prices for the upcoming contract year. The Postal Service asserts that the amendment will not materially affect the contract cost coverage. Notice at 1. However, the Public Representative observes that the amendment will impact the unit revenue of the contract, and therefore the cost coverage of the contract. In order to ensure compliance with 39 U.S.C. § 3633(a) a review of the financial model is necessary.

³³ See USPS-FY15-NP27.

⁴ See Request of the United States Postal Service to Add Priority Mail Contract 80 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, April 4, 2014 (Original Request), Attachment B at 2.

⁵ In Docket No. CP2016-9 the Commission approved a 13.3 average price increase for Priority Mail Commercial Plus and a 9.4 percent average price increase for Priority Mail Commercial Base. Order No. 2814, at 3 and 8. The price increase for Priority Mail Commercial Plus reflects the Postal Service equalizing Priority Mail Commercial Base and Commercial Plus prices, due to its long term goal to eliminate the Commercial Plus category in 2017. Governors' Decision No. 15-1, page 3.

Therefore, the Public Representative relies on the Priority Mail Contract 80 Financial Analysis provided in USPS-FY15-NP27 to determine if the Contract is likely to continue to meet the requirements of 39 U.S.C. § 3633(a). After reviewing the FY 2015 costs and the expected price increases, the Public Representative concludes that the Priority Mail Contract 80, as amended, is likely to continue to meet the requirements of 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the preceding comments for the Commission's consideration.

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